



UNITED NATIONS



EUROPEAN COMMISSION

Joint Guidelines on reporting obligations under the FAFA

The purpose of these guidelines is to provide practical guidance for the interpretation of the relevant articles of the Financial and Administrative Framework Agreement (FAFA). The latter remains however the sole legal authority on the subject.

A. Guiding principles

1. The relevant provisions concerning reporting are contained in article 2 of the Financial and Administrative Framework Agreement (“FAFA”). This provision is complemented by DG AIDCO’s General Conditions of the Standard Contribution Agreement with an international organisation (“AGC”)¹ and DG ECHO’s General Conditions applicable to EC contribution agreements with international organisations for humanitarian aid actions (“EGC”), jointly referred hereinafter as “the GCs”. The costs deriving directly from the requirements of the contribution-specific agreement, including the costs of specific reporting for Commission needs are eligible direct costs to the agreement. (art.3.2 FAFA)
2. Pursuant to articles 2.1 and 2.2 of the GCs and the verification clause in the FAFA, the UN organisation implementing a contribution-specific agreement has a general duty to provide all relevant information to the Commission² on the implementation of the action, which starts with the work plan and is complemented by the reports and any other relevant information. In addition to the standard reports to its donors, the UN organisation will ensure that progress and situation reports, publications, press releases and updates relevant to the contribution-specific agreement, are communicated to the Commission’s contact address indicated in the special conditions as and when they are issued (art. 2.7 FAFA). However, it should be recalled that the "Agreement on the application of the verification clause to operations administered by the United Nations and financed or co-financed by the European Community" annexed to FAFA recognises that some original documents held by the UN organisation are confidential and may not be shared.

¹ All the Commission services bound by FAFA must use the AIDCO model, with the exception of the contracts signed by DG ECHO.

² The term “Commission” in these Guidelines is replaced by “Contracting Authority” in cases of actions financed by the EC where the contracting authority is not the Commission but a beneficiary country (see footnote No. 2 in the FAFA).

3. Article 2.1 of the FAFA requires that the "contribution-specific agreement sets out the information to be provided in reports by the United Nations to the Commission". DG AIDCO contribution-specific agreements do not impose specific formats or exhaustive requirements for contents. As a general rule, except for DG ECHO, the organization implementing the action is free to use its own standard formats and/or the same reports it uses for other donors as long as these comply with the objectives and minimum content requirements provided for by the FAFA and the AGC. If the standard format used by the implementing organization does not meet these objectives and requirements, these formats should be duly completed or adapted to comply with their reporting obligations under the FAFA and the AGC. If both parties agree that the implementing UN organisation should deviate from its own format for financial reports in order to cover specific requirements of the action, the FAFA guarantees that specificities to be introduced should be limited to the minimum necessary (art. 2.2 FAFA).
4. Pursuant to article 2.2 of the FAFA, as confirmed by the second meeting of the working group established under article 13.1 FAFA, the level of detail in reports other than for DG ECHO should be commensurate with the level of detail in the Description of the action and the budget of the relevant contribution-specific agreement. It is therefore at the stage of contracting that such level of detail of reporting should be established.
5. For DG AIDCO contribution-specific agreements, the implementing UN organisations may use the financial and narrative models prepared by DG AIDCO, in full or in part, though they are not obliged to do so.
6. DG ECHO contribution-specific agreements do require standard forms for the final narrative and financial report (art. 2.4 EGC). In addition, minimum requirements are imposed for the structure and contents of narrative interim reports (art. 2.3 EGC).

B. Objectives of reports and means to achieve them

7. According to its article 1, the FAFA focuses on the results of the action. To that end, it is necessary to include objectives and objectively verifiable indicators in the proposal for actions and to monitor such elements during the implementation of the action through workplans, reports and any other relevant information. Reports are the main tool to progressively measure the degree of results achieved until completion of the action. Articles 2 of the FAFA and the GCs develop the specific reporting obligations of the parties necessary to achieve that goal.

In accordance with the final paragraph of the preamble to the FAFA, and with the UN system's own results-based management principles, the shift to a results orientation should be accompanied by a corresponding shift away from the exclusive examination of inputs and activities: it should simplify the administration of, and information generated by, UN actions. The second paragraph of the preamble also states that the Commission and the UN will endeavour to improve the exchange of information on programming and content throughout the cycle of their operations (second paragraph of the preamble to the FAFA). The specific rules and principles on reporting are further developed in article 1 and 2 of the FAFA, which are complementary.

8. Reports are also necessary for the Commission to comply with its obligation to scrutinise the implementation of actions financed by the European Communities, as per the latter's internal financial regulations (for instance, article 165 of the EC Financial Regulation) and the EC Treaty (Article 274).
9. The FAFA and the GCs establish two categories of reports: narrative and financial. These are presented in the form of interim and final reports (art. 2.1 FAFA).
10. Pursuant to Article 2.3 of the GCs, reports shall provide a complete account of all aspects of the implementation for the period covered and be drafted/laid out in such way as to:
 - i) allow comparison of the objective(s), the means envisaged or employed, the results expected and obtained, and the budget details for the action, and
 - ii) in case of DG AIDCO contribution-specific agreements: be commensurate with the level of detail of the description of the action and its budget.

Each type of report fulfils different purposes and should provide adequate relevant information to that end. Financial reports need to relate closely to the budget for the action, even if accompanied with an extensive narrative report. Narrative reports must include the minimum narrative elements required by the FAFA.

The information provided needs to be easily compared and matched in a systematic manner by the Commission. To that end, the information provided by these reports should be sufficiently detailed and consistent so as to measure the results of the action throughout the reported implementation period.

“Detailed” does not necessarily mean more quantity, the quality of the information provided is very important. Key data (e.g. dates, period covered, activities performed, countries/target groups affected by the action) should be included and organised in a systematic manner to allow comparison and matching (e.g. specific analysis per country or per region). The pertinence of the reported activities with the action’s objectives should clearly be understood upon reading the document.

“Consistent” means, for instance, that all the reports should use the same objectively verifiable indicators included in the description of the action and in the logframe, the same budgetary lines used in the budget for the action and the same workplan model. To sum up, consistency ensures that the data provided (both financial and narrative) will allow the Commission to assess whether the objectives of the action are being (or have been) met in line with article 1 of the FAFA and whether the incurred expenditure complies with the conditions of articles 3 and 4 of the FAFA.

Consistency between and within reports (between the different interim reports and the final reports, as well as between the narrative and the financial part of the reports) is also necessary.

11. In addition to the above, every final report shall (art 2.6 FAFA, 2.5 AGC and 2.1 and 2.3 EGC):

- i) For actions co-financed by the EC, cover the whole of the actions described in the relevant contribution-specific agreements and their attached budgets and not only the contribution of the Commission (art.2.1 FAFA and GCs);
- ii) cover the whole implementation period of the agreement;
- iii) include information on the measures taken to identify the contribution of the EU (see the visibility clauses in the FAFA and the GCs);
- iv) include lists of remaining stocks and equipment and of expatriate personnel, and explain how the transfer of assets has been made at the end of the implementation period, if relevant, and
- v) summarise the action's income (and payments received) and expenditure.

The reporting exercise should be made in a spirit of partnership, co-operation and trust between the Commission and the UN. Where the implementing UN organisation expects to face difficulties relating to the content, presentation and/or submission deadlines of the reports, it should inform the relevant service of the Commission as soon as possible (in practice, the contact person specified in the special conditions of the contribution-specific agreement).

C. Minimum elements of the reports

C.1. Narrative reports

12. Pursuant to articles 2.5 FAFA and 2.4 AGC and 2.3 EGC, the minimum elements of the interim narrative report for DG ECHO contribution-specific agreements and of narrative reports for DG AIDCO contribution-specific agreements are the following:
- i) summary and context;
 - ii) activities carried out during the reporting period;
 - iii) difficulties encountered and measures taken to overcome problems;
 - iv) changes in implementation;
 - v) achievement/results by using the same objectively verifiable indicators used in the contribution-specific agreements and
 - vi) in case of interim reports, workplan for the following period. Note that, on occasions, a provisional workplan needs to be submitted before the report. In effect, if the report is sent after the end of the period covered by the preceding workplan a new (provisional) workplan will be required before that date.

These requirements apply regardless of the type of funding mechanism used (i.e. financed or co-financed by the EC).

In the case of DG ECHO contribution-specific agreements, final reports shall be presented on standard forms (article 2.4 EGC).

It is important that the part of the report explaining the activities carried out during the reporting period explicitly addresses the implementation of the visibility obligations referred to in Article 11 of the FAFA and Articles 6 of the GCs.

C.2. Financial reports

13. Article 2.3 of the AGC states that the level of detail of the financial report should be commensurate with the description of the action and of the budget. This means that, save in case of DG ECHO contribution-specific agreements, the structure of the budget for the action will determine to a great extent the structure of the financial reports³. Where, for actions other than those financed by DG ECHO, the budget format used by the UN agency is not accepted by the Commission as the format for the submission, manual conversion from the UN agencies accounting structure to that required by the Commission will have to be undertaken. While the UN agencies accounts will in this case remain the only official accounts regarding the expenditure incurred for UN's accounting and audit requirements, the financial report submitted will be the official report to the Commission and will accurately reflect the status and expenditure of the budget. In case of verification, the Commission should be able to understand how the reports submitted to it have been manually converted to be able to match the reports with the official accounts.
14. As mentioned above, DG ECHO has established standard formats for final financial reports.
15. The Commission will request that the budget and the subsequent reports clearly indicate the percentage of indirect costs applied to the action, which cannot exceed a flat-rate of maximum 7% of the direct eligible costs pursuant to article 4.1 of the FAFA⁴.

D. Deadlines concerning submission and approval of reports

16. According to article 2.5 FAFA, for contribution-specific agreements exceeding 12 months, the minimum requirement of the Commission is a yearly interim report

³ The reports under DG AIDCO contribution-specific agreements concluded after a call for proposal needs to follow the format of the budget for the action included in the documentation for the call for proposal. This means that, in practice, the format of the financial reports will be to a great extent pre-established. This is a consequence of the need to ensure the equal treatment of all applicants in the framework of a call for proposals. Hence, financial reports will need to follow the structure of the budget submitted by the implementing UN organisation with its proposal, if such proposal has been accepted by the Commission.

⁴ Furthermore, for those UN agencies applying a cost-recovery policy exceeding the 7% rate provided for in FAFA, the Commission will pay particular attention to the respect of article 4.5 of the FAFA.

(narrative and financial). For DG AIDCO contribution-specific agreements, article 2.6 of AGC further specifies that interim reports shall be submitted:

i) at the end of every 12-month period, where the implementation period is longer than 12 months and the contribution is less than EUR100 000;

ii) at the moment of requesting a further instalment of pre-financing, if the implementation period is longer than 12 months and the contribution is more than EUR 100,000.

iii) As regards DG AIDCO contribution-specific agreements, the Commission may, in exceptional cases, require more than one interim report per year. In such cases, the services of the Commission in charge of the action will justify to the UN Organization the reasons for these additional reports.

In line with Good Donorship principles, the Commission and the UN agree that normally one interim report per year will satisfy the requirements. Where specific circumstances require a different approach, this will be agreed by the parties, and stipulated in the contribution-specific agreement.

In any case, the number of reports per year will be proportionate to the specific nature of the action and/or to the minimum requirements of the action and of the Commission service in charge of the action. .

As regards DG ECHO contribution-specific agreements, Articles 2.1 to 2.3 of the EGC specify that interim narrative and financial reports shall be provided, in accordance with Article 4.1 of the Special Conditions of the contribution-specific agreement. This requirement applies to all actions, regardless of their duration.

17. Final reports shall be submitted within six months after the end of the implementation period except in case of humanitarian aid and emergency assistance, in which case a three month-deadline applies (art. 2.6 FAFA). Extensions may be granted by the Commission upon request on a case-by-case basis.

18. In case of failure to provide the above reports on time (or to give acceptable reasons for delay), the Commission may refuse to pay any outstanding amount and recover the amounts unduly paid. In case of progress reports (DG AIDCO) or interim reports (DG ECHO), the Commission may terminate the contract. This possibility of terminating the contract is explicitly extended to final reports under a DG ECHO contribution-specific agreement (art. 2.9 AGC and 2.7 EGC).

The 3rd Annual Meeting of the Working Group established under article 13.1 of the FAFA agreed that a guidance note on recovery and offsetting will be produced by the Commission and that the UN Controller's office would be willing to perform the role of UN system focal point for dispute settlement issues. Commission representatives explained that this function is properly the task of the authorizing officer. In case of DG AIDCO contribution-specific agreements, if a matter cannot be resolved in country, then it should be referred to the next level, i.e. the Operational Director in HQ. Further assistance can be provided, if necessary, by the DG AIDCO Director responsible for relations with the UN.

19. In establishing the deadlines and frequency of reports, the Commission will consider following the UN reporting cycles, unless this course of action is contraindicated by the circumstances of the action. In this manner, the organisation implementing the action is not required to draft specific reports for the EC (art. 2.4 FAFA). Taking into account Article 2.4 of the FAFA and the specific nature of DG ECHO-funded actions (scope of action and timescale), the reporting deadlines for DG ECHO-funded actions are defined in Articles 2.3 and 2.4 of the EGC.

It is important to stress that the UN organisation implementing the action is bound by the deadlines provided for in the contribution-specific agreement. When a delay seems inevitable when implementing the action, the UN organisation should inform the Commission as soon as possible, specifying the reasons for such likely delay.

20. Once a report accompanied by a request for payment has been submitted, the Commission has 45 days from the date of receipt to approve it (first 45-day period). In absence of any reaction from the Commission during that period, the report is deemed to have been approved (arts. 7.1 FAFA, 15 AGC and 16 EGC). Payments linked to a report shall be made within the 45 days following the approval of the report (final or intermediate) accompanying the payment request (second 45-day period)⁵.

21. If the Commission considers that the report does not contain sufficient information, it may request additional information to the implementing UN organisation within the first 45-day period. The deadline for approving the report will then be suspended until the required information has been received by the Commission. Before proceeding to any payment, the Commission may request additional information within the second 45-day period if it deems that the information received is insufficient or if it does not provide sufficient assurance on the sound financial management of the action to allow the requested payment to be made. The payment deadline will be suspended until a payment request containing the information required has been sent by the implementing UN organisation and registered by the Commission.

Wherever possible, the Commission will make their comments/requests for information as soon as possible and preferably all at once. These requests should be reasoned and clearly formulated.

The existence of continuous co-operation and trust between the services in charge of the action at both sides (UN organisation and the Commission) is likely to help reducing the number of requests for information and will facilitate the approval of the reports and payments at an early stage.

22. The approval of reports to which no request for payment is linked follows the same rules explained above, unless otherwise provided for in the special conditions of the contribution-specific agreement.

⁵ Article 15.1 of the AGC established an additional condition for interim payments. Payments will only be made by the Commission provided that at least 70% of the immediately preceding payment (and 100% of the payments made before that one) have been effectively spent or legally committed to a third party by the implementing UN organisation. As regards the form, payment requests under DG AIDCO's standard contribution agreements will be in the form of the model annexed to the contribution-specific agreement.

23. In case of late payment by the Commission, the implementing UN organisation is entitled to receive interest in accordance with articles 15.3 of the AGC and 16.6 of the EGC, provided that the implementation and reporting deadlines have been respected by the UN.

F. Use of euro and exchange rate

24. Pursuant to articles 2.3 FAFA, 2.7 AGC and 2.6 EGC, financial reports shall always be submitted in Euro regardless the currency used by the UN organisation implementing the action. There is no possible exception to this rule. At their discretion, the UN organisation may, however, include in the report figures in their accounting currency, *as long as* these figures are also converted in Euro and clearly indicated in the report.
25. Whenever it is necessary to convert actual expenditure into euro, the exchange rate applicable to the contribution made by the EC will be the rate of exchange at which the EC's contribution was recorded in the United Nations' accounts (arts. 2.3 FAFA, 2.7 AGC and 2.6 EGC).

The exchange rate applicable to the contribution made by the EC will be the UN operational rate of exchange at which the EC's contribution was recorded in the United Nations' accounts (arts. 2.3 FAFA, 2.7 AGC and 2.6 EGC). Parties may however agree to apply a different rule and use an exchange rate which is in accordance with the consistently applied policy of the implementing UN organisation, such as the UN operational rate of exchange prevailing at the date of the transaction, or during the period immediately following the implementation period. In such cases, the conversion method will explicitly be mentioned in the special conditions of the contribution-specific agreement (art. 2.5 Operational Conclusions of the Working Group on the FAFA 19 Feb 2004).

G. Additional information of interest

26. For information purposes only, models of narrative and financial report used in DG AIDCO grant contracts can be found in the DG AIDCO Website:

http://ec.europa.eu/europeaid/work/procedures/implementation/grants/annexes_standard_documents/index_en.htm

- 27 In case of DG AIDCO contribution-specific agreements, it is also advised to check the document "Project Cycle Management Guidelines", in particular pages from 113 to 116 inclusive:

http://europa.eu.int/comm/europeaid/qsm/index_en.htm

28. DG ECHO's relevant documentation, such as the standard form of final reports, can be found at the following address:

http://ec.europa.eu/echo/partners/fpa_int_en.htm